

**RURAL WATER DISTRICT NO. 16,  
PITTSBURG COUNTY, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
YEARS ENDED MAY 31, 2022 AND 2021**

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## Independent Auditor's Report

Board of Directors  
Rural Water District No. 16,  
Pittsburg County, Oklahoma

### Opinion

We have audited the accompanying financial statements of Rural Water District No. 16, Pittsburg County, Oklahoma which comprise the statement of assets, liabilities and net position as of May 31, 2022 and the related statements of revenues and expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the net position of Rural Water District No. 16, Pittsburg County, Oklahoma as of May 31, 2022 and the changes in net position and its cash flows for the year then ended in accordance with the modified cash basis of accounting.

### Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rural Water District No. 16, Pittsburg County, Oklahoma and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Water District No. 16, Pittsburg County, Oklahoma's ability to continue as a going concern for twelve months

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rural Water District No. 16, Pittsburg County, Oklahoma's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Water District No. 16, Pittsburg County, Oklahoma's ability to continue as a going concern for a reasonable period of time.

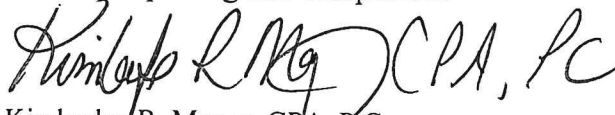
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Emphasis of Matter - Basis of Accounting***

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated January 21, 2023 on our consideration of Rural Water District No. 16, Pittsburg County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Rural Water District No. 16, Pittsburg County, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rural Water District No. 16, Pittsburg County, Oklahoma's internal control over financial reporting and compliance.

Handwritten signature of Kimberley R. Mayer in black ink, followed by the text "CPA, P.C." in a similar script.

Kimberly R. Mayer, CPA, P.C.  
Blackwell, Oklahoma  
January 21, 2023

INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Rural Water District 16, Pittsburg County, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Rural Water District No. 16, Pittsburg County, Oklahoma as of and for the year ended May 31, 2022, and have issued our report thereon dated January 21, 2023. The financial statements were prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Report on Internal Control Over Financial Reporting**

In connection with our engagement to audit the financial statements of Rural Water District 16, Pittsburg County, Oklahoma's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rural Water District 16, Pittsburg County, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rural Water District 16, Pittsburg County, Oklahoma's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Rural Water District 16, Pittsburg County, Oklahoma's financial statements are free of material misstatement, we performed tests

of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kimberley R. Mayer CPA, PC". The signature is written in a cursive, flowing style.

Kimberlye R. Mayer, CPA, P.C.

Blackwell, Oklahoma

January 21, 2023

FINANCIAL STATEMENTS

AND

NOTES



RURAL WATER DISTRICT NO. 16, PITTSBURG COUNTY, OKLAHOMA  
STATEMENTS OF ASSETS, LIABILITIES AND NET POSITION  
MODIFIED CASH BASIS  
MAY 31, 2022 AND 2021

ASSETS:

	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash and cash equivalents	\$ 594,813	\$ 443,837
Certificates of deposit	<u>14,942</u>	<u>14,942</u>
Total Current Assets	609,755	458,779
Land, property and equipment (Note 2)	373,990	398,725
Work in progress	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 983,745</u>	<u>\$ 857,504</u>

LIABILITIES AND NET POSITION:

Liabilities:	\$	\$
Net Position:		
Net investment in capital assets	373,990	398,725
Unrestricted	<u>609,775</u>	<u>458,779</u>
Total Net position	<u>983,765</u>	<u>857,504</u>
Total Liabilities and Net Position	<u>\$ 983,765</u>	<u>\$ 857,504</u>

The accompanying report and notes are an integral part of these financial statements.

RURAL WATER DISTRICT NO. 16, PITTSBURG COUNTY, OKLAHOMA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
MODIFIED CASH BASIS  
YEARS ENDED MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Water sales	\$ 464,794	\$ 382,011
Late penalties	15,637	12,240
Miscellaneous revenues	710	1,177
Total Operating Revenues	<u>481,141</u>	<u>395,428</u>
Operating Expenses:		
Payroll	75,310	80,491
Payroll taxes	6,406	7,263
Repairs and maintenance	16,603	24,798
Equipment rental	15,750	16,750
Insurance and bonds	5,278	5,660
Professional fees		2,832
Mileage and meetings	2,469	2,041
Office and postage	5,404	6,264
Water costs	192,734	193,701
Telephone	2,503	3,541
Utilities	2,272	2,129
Water tests and fees	5,071	4,351
Dues and membership fees	893	982
Depreciation	33,062	32,441
Other expenses		
Total Operating Expenses	<u>363,755</u>	<u>383,244</u>
Operating Income (Loss)	117,386	12,184
Nonoperating Revenue (Expenses):		
Interest income	455	503
Membership fees	8,400	5,100
Total Nonoperating Revenues	<u>8,855</u>	<u>5,603</u>
Change in Net Position	126,241	17,787
Net Position, beginning of year	<u>857,504</u>	<u>839,717</u>
Net Position, end of year	<u>\$ 983,745</u>	<u>\$ 857,504</u>

The accompanying report and notes are an integral part of these financial statements.

RURAL WATER DISTRICT NO.16, PITTSBURG COUNTY, OKLAHOMA  
STATEMENTS OF CASH FLOWS  
MODIFIED CASH BASIS  
YEARS ENDED MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Cash received from customers	\$ 481,141	\$ 395,428
Cash payments to suppliers for goods and services	(255,383)	(270,312)
Cash payments to employees	<u>(75,310)</u>	<u>(80,491)</u>
Net cash provided (used) by operating activities	150,448	44,625
Cash flows from non-capital financing activities:		
Cash flows from capital and related financing activities:		
(Increase) decrease in capital assets	(8,327)	(66,683)
Membership fees	<u>8,400</u>	<u>5,100</u>
Net cash provided (used) by financing activities	73	(61,583)
Cash flows from investing activities:		
Interest income	455	503
(Increase) decrease in CD's	<u>455</u>	<u>503</u>
Net cash provided (used) by investing activities	455	503
Net increase (decrease) in cash and cash equivalents	150,976	(16,455)
Beginning cash and cash equivalents	443,837	460,292
Ending cash and cash equivalents	<u><u>\$ 594,813</u></u>	<u><u>\$ 443,837</u></u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Operating income or loss	\$ 117,386	\$ 12,184
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	<u>33,062</u>	<u>32,441</u>
Net cash provided (used) by operating activities	<u><u>\$ 150,448</u></u>	<u><u>\$ 44,625</u></u>

The accompanying report and notes are an integral part of these financial statements.

RURAL WATER DISTRICT NO. 16, PITTSBURG COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED MAY 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Rural Water District No. 16, Pittsburg County, Oklahoma was created under the Rural Water Sewer, Gas and Solid Waste Management District Act, Title 82, 1324.3 et seq., as amended, of the laws of the State of Oklahoma. The District is exempt from federal and state income taxes. The purpose of the District is to provide water services to the owners and occupants of land located within the District, and others as authorized by law. Membership in the water district consists of water users who have paid the required membership fees.

The District is an entity governed by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board of Directors is comprised of elected board members.

Basis of Accounting

The District is classified as an Enterprise Fund. The costs of providing the water services to the public are financed mainly through user charges. The financial statements of the District have been prepared using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions with a provision for depreciation. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities on their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Cash and Deposits

Cash is maintained in financial institutions, which provide coverage to depositors through the Federal Deposit Insurance Corporation. At May 31, 2022, the District had deposits in excess of the FDIC limit of \$361,061.

The State of Oklahoma allows government entities to invest in the following: direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district direct debt.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the District considers all checking and savings accounts and certificates of deposit with a maturity of three months or less to be cash equivalents.

Budget

The District is not legally required to adopt a budget.

RURAL WATER DISTRICT NO. 16, PITTSBURG COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED MAY 31, 2022 AND 2021

NOTE 2 – LAND, PROPERTY AND EQUIPMENT:

Waterline extensions and additions are capitalized and depreciated over their estimated useful lives. Annual depreciation is calculated on a straight-line basis. Total depreciation for the year ended May 31, 2022 and 2021 was \$33,062 and \$32,441. The balances for depreciable assets by major category as of May 31, 2022 are as follows:

	5/31/21	Deletions	Additions	5/31/22
Land	\$ 500	\$	\$	\$ 500
Waterline system	1,124,512		8,327	1,132,839
Office equipment	4,574			4,574
Buildings and improvements	31,613			31,613
Accumulated depreciation	(762,474)		(33,062)	(795,536)
Total	<u>\$ 398,725</u>	<u>\$</u>	<u>\$ (24,735)</u>	<u>\$ 373,990</u>

NOTE 3 – RISK MANAGEMENT:

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District manages this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred and the amounts of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There were no claims during the years ended May 31, 2022 and 2021.

NOTE 4 – ESTIMATES:

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 5 – CONTINGENCIES:

As of May 31, 2022 and 2021 the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

RURAL WATER DISTRICT NO. 16, PITTSBURG COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED MAY 31, 2022 AND 2021

NOTE 6 – FAIR VALUES OF FINANCIAL INSTRUMENTS:

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

**Level 1:** Quoted prices in active markets for identical securities.

**Level 2:** Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

**Level 3:** Significant unobservable inputs (including the District's own assumptions in determining the fair value of investments).

The District's financial instruments include cash and cash equivalents and certificates of deposit. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

NOTE 7 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through January 21, 2023 the date which the financial statements were available to be issued.